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Philippines

Livestock and Products

Beef, Pork and Broiler Prospects

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Report Highlights:

The alleged surge of illegal pork meat and overproduction of broilers by local producers made 2002 a difficult year for many hog producers and poultry integrators, according to local industry groups. Imports of beef are expected to improve slightly while pork imports are expected to remain flat in 2003. Broiler imports may contract slightly throughout the year.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Manila [RP1], RP

PRODUCTION

Growth figures for 2002 just released by the Bureau of Agricultural Statistics show that the Philippine livestock sector posted an increase of 4.39 percent over 2001 levels (Refer to RP3006). The hog sub-sector which represents over 75 percent of the livestock industry, grew 5.25 percent last year while the cattle sub-sector declined by 0.04 percent over the previous year. The poultry sector which accounts for about 16 percent of total agricultural production, posted a growth in output of 6.13 percent. The biggest contribution to the poultry sector's growth is attributed to the chicken sub-sector, which grew by 6.82 percent from 2001 production levels. The local hog and poultry industries remain among the more promising and fast-growing sectors in Philippine agriculture, making some of the largest contributions to total agricultural growth.

PRODUCTION (TMT, live weight)			
	2000	2001	2002
Chicken	997.82	1,098.80	1,173.75
Cattle	271.56	261.16	261.06
Swine	1,517.79	1,584.52	1,667.76
TOTAL	2787.17	2944.48	3102.57

Source: Bureau of Agricultural Statistics, Department of Agriculture

Oversupply made 2002 a difficult year for many large poultry integrators and hog producers. Growing imports, due to low global prices of pork meat, and an overproduction of domestic chicken meat are said to have compounded the domestic supply situation. It is reported that several large poultry integrators suffered major losses in 2002 which has already prompted the culling of birds at the start of the year. Hog producers have blamed dropping pork prices on the surge of smuggled pork meat into the market.

DOMESTIC RETAIL PRICE INDEX			
	November 2001	May 2002	November 2002
Dressed Chicken	89.42	85.60	82.01
Beef Tenderloin	166.07	171.61	170.06
Pork Meat	115.36	117.06	109.22

Source: Philippine Department of Agriculture and National Statistics Office

CONSUMPTION

Philippine GDP in 2002 grew better than expected at 4.6 percent. While government projections are indicating a less robust growth this year, meat consumption in general is expected to improve over last year. This growth will be fueled

by a continued high population growth rate of 2.3 percent. Average meat consumption per capita continues at relatively low levels with pork consumption standing at an average of 13.45 kilograms per capita and chicken meat at 7.67 kilograms per capita in 2001. Per capita beef consumption in 2001 reversed a recent upward trend, dropping to 3.58 kilograms .

ANNUAL PER CAPITA CONSUMPTION OF SELECTED MEATS IN THE PHILIPPINES (Kg/ Year)				
Year	Chicken	Pork	Beef	Total
1997	6.96	12.54	3.49	22.96
1998	6.75	12.70	3.25	22.70
1999	7.03	13.10	3.59	23.72
2000	7.12	13.21	3.79	24.12
2001	7.67	13.45	3.58	24.70

Source: Bureau of Agricultural Statistics, Department of Agriculture

TRADE

Imports of pork are expected to remain flat in 2003 as domestic production continues to expand albeit at a slower pace. Chicken meat imports are expected to decline slightly in 2003 as beginning stocks remain high. The majority of poultry meat imports will continue to be chicken meat cuts, primarily leg quarters, with United States and Canada dominating the trade. Pork imports are projected to remain steady with Korea and Canada as main suppliers. Beef imports are expected to improve slightly to compensate for the modest contraction of the domestic cattle industry.

PHILIPPINE MEAT IMPORTS (MT)			
	2001	2002	2003*
Chicken	13,000	12,000	11,000
Beef	102,000	115,000	130,000
Pork	15,000	10,000	10,000

Source: 2002 Livestock & Poultry P&SD
 USDA Foreign Agricultural Service
 *AgAffairs Office estimate

Though Filipino acceptance of imported meat and meat products is generally high, and per capita demand is expected to improve, domestic producer pressure to stem the level of imports, both legal and smuggled, continues to complicate import channels, resulting in continued stagnancy of US market share.

Data from the Department of Agriculture has shown that utilization rates of sensitive agricultural products covered by

Minimum Access Volumes (MAV) generally increased in 2002 compared to the previous year (Refer to RP3008). MAV usage for fresh, chilled and frozen poultry meat grew from 60 percent to 85.8 percent. With an increased number of MAV quota applicants for poultry this year, utilization is expected to improve as more players move into the lower-priced chicken leg quarter market which is currently dominated by the United States.

Fresh, chilled and frozen pork posted the lowest MAV utilization rate at 13.3 percent. MAV usage for pork has remained low and has been declining since 2000, despite the alleged entry of large quantities of illegal pork imports flooding the market. MAV utilization is expected to remain low as local hog raisers have mounted a strong campaign against the surge of illegal pork imports, claiming injury to the domestic industry.

PHILIPPINE MAV UTILIZATION RATE 2000-2002						
	PORK ^{1/}			POULTRY ^{2/}		
Year	MAV (MT)	IMPORTED	%	MAV	IMPORTED	%
2000	43,365	19,081	44.0	18,790	11,838	63.0
2001	45,775	8,697	19.0	19,834	11,900	60.0
2002	48,185	6,409	13.3	20,879	17,914	85.8

Source: Philippine Department of Agriculture

1/ HS 0203 Fresh/ Chilled/ Frozen Pork

2/ HS 0207 Fresh/ Chilled/ Frozen Poultry

POLICY

Despite robust growth and expansion, the domestic hog and poultry industries have claimed injury from the alleged entry of large volumes of illegal meat into the market and the proliferation of buffalo meat in the wet markets. Currently, buffalo meat importation is only allowed for use in meat processing. An anti-smuggling task force has been created by the Office of the President to solve this problem and is headed by the chief of the Presidential Security Group.

A special safeguard duty (SSG) on chicken meat and products was implemented effective in the third quarter of 2002 (Refer to GAIN RP2073). The new uniform customs rate of 40 percent for both in-quota and out-of-quota imports for 2003 becomes academic as the SSG effectively raises out-of-quota duties from 20 percent to up to 1800 percent depending on the tariff line. Prior to the imposition of the SSG on poultry, it was the unofficial policy of the Bureau of Animal Industry (BAI) to limit issuance of VQCs outside of the MAV. We have yet to see if BAI will continue this unofficial policy although this SSG duty effectively stops all importation of out-of-quota chicken meat.

There are several proposals from the meat industry to improve or overhaul the MAV system of administration in the country. Recommendations include requiring importers to present customs entry and/ or a tax declaration within 60 days from importation before the issuance of subsequent Minimum Access Volume Import Certificates (MAVIC).

Other proposals include prioritization of licensees to give preference first to producers, manufacturers, and lastly, traders. Another is to change the timing of the MAV year from calendar year to a different schedule to take into account the local production cycle. These proposals are currently being studied by the MAV Management Committee.

At present, all processed poultry meat (processed turkey meat in airtight containers/ processed chicken meat) imports from the Association of South East Asian Nations (ASEAN) region are assessed a five percent customs duty due to the implementation of AFTA-CEPT (Asean Free Trade Agreement-Common Effective Preferential Tariffs) agreement effective January 1, 2003. Although not expected to directly affect imports of fresh, chilled or frozen poultry meat from non-ASEAN countries, the demand for fresh, frozen and chilled chicken meat from manufacturers of processed chicken products may be affected as imported value-added chicken products become more price competitive.